

Message Text

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ACTION L-03

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R 281905Z JAN 76

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 4300

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E. O. 11652: N/A

TAGS: BDIS, EFIS, PFOR, AR

SUBJECT: PURCHASE OF VESSEL "ATLANTIC SEAFREEZE"

REF: STATE 005523

1. EMBASSY INFORMED VANOLI OF POSITION OUTLINED IN REFTEL. LATTER EXPRESSED KEEN DISAPPOINTMENT AND ASKED WHY, IF THIS IS POSITION COMMERCE HAS TAKEN CONSISTENTLY IN THE PAST, DID USG INDICATE TO HIM IN SEPTEMBER OF 1973 MEMO FROM COMMERCIAL ATTACHE THAT REGISTRY AND FLAG COULD REPEAT COULD BE TRANSFERRED. VANOLI INDICATED OFFICIALS IN ARGENTINA DEVELOPMENT BANK HAVE ALREADY PRIVATELY SUGGESTED BAD FAITH ON PART USG.

2. EMBASSY TOO FAILS TO UNDERSTAND RATIONALE OF COMMERCE POSITION. TO SAY THAT POSITION IS "LEGALLY SUPPORTABLE" IS NOT TO SAY IT IS REQUIRED BY LAW. INDEED, AS REFTEL POINTS OUT, FISHING FLEET IMPROVEMENT ACT DOES NOT REPEAT NOT EXPRESSLY PROHIBIT OR PERMIT SECRETARY OF COMMERCE TO AUTHORIZE TRANSFER OF FLAG. WE CANNOT COMMENT ON PAST CASES, BUT IN PRESENT ONE US INTERESTS WOULD SEEM TO BE CLEARLY ON SIDE OF SALE OF VESSEL AND TRANSFER OF FLAG. PURCHASE WOULD RESULT IN INFLOW OF DOLLARS, AND, AS PURCHASERS HAVE INDICATED, THEY ARE WILLING TO REPAY THE DEPRECIATED SUBSIDY, A FURTHER PLUS FOR USG. ADDITIONALLY, WITH EXCEPTION OF FLAG TRANSFER ISSUE, WE UNDERSTAND THAT ALL CONDITIONS OF FISHING IMPROVEMENT ACT--AS AMENDED BY P.L. 94-150--WOULD BE MET. CERTAINLY THERE ARE COMPELLING POLICY REASONS TO GO AHEAD WITH TRANSFER OF FLAG. EMBASSY IS CONCERNED, MOREOVER, THAT COMMERCE POSITION MAY OPEN USG AS A

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WHOLE TO CHARGE OF BAD FAITH. IN EARLY SEPTEMBER OF 1973 AN

ARGENTINE FIRM INTERESTED IN PURCHASING THE "SEAFREEZE ATLANTIC" APPROACHED EMBASSY COMMERCIAL ATTACHE TO DETERMINE, AMONG OTHER THINGS, WHETHER OR NOT FLAG AND REGISTRY COULD BE TRANSFERRED. ATTACHE FORWARDED QUESTIONS TO DEPARTMENT OF COMMERCE, WITH INFO COPY TO MARAD, IN BA-6535 OF SEPTEMBER 5, 1973. EMBASSY NO LONGER HAS COPY OF REPLY IN ITS FILES, BUT COMMERCIAL ATTACHE QUOTED FROM REPLY FROM COMMERCE IN SENDING MEMO TO DR. VANOLI ON SEPTEMBER 30, 1973 INDICATING THAT UPON MARAD APPROVAL, VESSEL COULD BE SOLD TO ARGENTINE FIRM AND FLAG AND REGISTRY TRANSFERRED. IT WAS ON BASIS OF THIS INFORMATION THAT ARGENTINE DEVELOPMENT BANK (A GOVERNMENT ENTITY) WENT AHEAD WITH FINANCING OF PURCHASE. IT WAS ONLY AFTER SALE WAS CONSUMMATED THAT COMMERCE RAISED OBJECTIONS TO TRANSFER OF FLAG. THIS PLACES ARGENTINE DEVELOPMENT BANK IN EXTREMELY DIFFICULT AND EMBARRASSING SITUATION. ACTING ON BASIS OF COMMERCE'S ORIGINAL FINDING, THEY HAVE PICKED UP MORTGAGE ON VESSEL WHICH, BECAUSE OF COMMERCE'S REVERSAL OF POSITION, THEY NOW CANNOT USE OR EVEN SELL WITHOUT SUBSTANTIAL LOSSES.

3. EMBASSY URGES THAT DEPARTMENT DISCUSS MATTER FURTHER WITH COMMERCE IN EFFORT TO FIND SATISFACTORY SOLUTION TO THIS PROBLEM BEFORE IT BECOMES IRRITANT BETWEEN THE TWO GOVERNMENTS. ADDITIONAL REASONS FOR WISHING TO FIND SOLUTION IS THAT DR. VANOLI IS POLITICAL SECRETARY OF THE UCR AND RIGHT-HAND MAN TO UCR PRESIDENT BALBIN. IF IMPRESSION THAT USG ACTED IN BAD FAITH ALLOWED TO STAND, IT COULD SERIOUSLY PREJUDICE UCR VIEW OF DEALINGS WITH US AND US FIRMS IN GENERAL.

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